

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 FEA-01 OES-06 INT-05
AGRE-00 /110 W

-----101241Z 122302 /20

R 100838Z JAN 77

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8633
INFO DIA WASHDC
AMCONSUL HONG KONG
AMCONSUL MEDAN
AMCONSUL SURABAYA

UNCLAS SECTION 1 OF 2 JAKARTA 0420

HONG KONG FOR TREASURY REP

EO 11652: NA

TAGS: EFIN, ID

SUBJ: PRESIDENT SUHARTO PRESENTS 1977/78 DRAFT BUDGET

1. SUMMARY: PRESIDENT SUHARTO PRESENTED 1977/78 DRAFT
GOI \$10.12 BILLION BUDGET TO PARLIAMENT JANUARY 6. BUDGET
SPEECH PUT STRONG EMPHASIS ON INDONESIAN DEVOTION TO CON-
STRUCTION OF NEW INTERNATIONAL ECONOMIC ORDER AND REAFFIRMED
INDONESIAN SOLIDARITY WITH OTHER OPEC NATIONS, ASEAN, AND
NON-ALIGNED G-77 IN THAT ORDER. HE HAILED SUCCESS IN
HALTING INFLATION (14.2 PERCENT IN 1976), AND ASSERTED THE
RUPIAH WILL NOT BE DEVALUED. HE SAID THAT FOREIGN DEBT
SERVICE (\$352.5 MILLION), CONSTITUTING 11.8 PERCENT OF
FOREIGN EXCHANGE EARNINGS, IS CLEARLY NOT "TOO HEAVY A
BURDEN." THE ROUTINE PORTION OF THE BUDGET, A LITTLE OVER
\$5 BILLION, IS UP MORE THAN 30 PERCENT THIS YEAR, LARGELY
BECAUSE OF SALARY AND PENSION INCREASES. DEVELOPMENT
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BUDGET OF \$5.1 BILLION CITES MAJOR INCREASES IN FUNDING FOR
TRANSMIGRATION ACTIVITIES, IRRIGATION, AND EDUCATION. A
SPECIAL \$8.4 MILLION APPROPRIATION IS MADE FOR EAST TIMOR
DEVELOPMENT. THE MILITARY SECURITY PORTION OF THE DEVELOP-
MENT BUDGET IS \$134.9 MILLION. IN BRIEF COMMENT ON DETAINEES
SUHARTO SAID THEY WOULD BE RELEASED "NEXT YEAR." HE ALSO
PROMISED THAT GOVERNMENT WOULD NOT CLOSE ITS EYES TO

CORRUPTION AND OTHER ABUSES, BUT WARNED AGAINST CYNICAL
VOICES WHICH EXAGGERATE SUCH NEGATIVE ASPECTS. END SUMMARY.

2. GOI 1977/78 BUDGET IN MILLIONS OF US\$:

KA) REVENUES	FY 1976/77	FY 1977/78
OIL CORPORATION TAXES	\$3,990.0	\$4,578.0
DEVELOPMENT EARNINGS (SEE		
NOTE 2) (FOREIGN AID)	1,730.0	1,838.5
DIRECT TAXES (LESS OIL)	1,020.0	1,325.0
(SEE NOTE 1)		
(1) INCOME TAX	(200.9)	(274.7)
(2) CORPORATION TAX	(390.0)	(397.6)
(3) PREPAYMENT OF TAX	(300.0)	(472.3)
(4) REGIONAL DEVELOPMENT		
CONTRIBUTION	(80.0)	(102.4)
(5) OTHER DIRECT TAXES	(60.0)	(76.1)
INDIRECT TAXES	1,740.0	2,207.2
(SEE NOTE 1)		
(1) SALES TAXES	8370.0)	(556.6)
(2) IMPORT SALES TAXES	(210.0)	(298.8)
(3) EXCISE TAXES	(300.0)	(409.6)
(4) IMPORT DUTIES	(540.0)	(797.6)
(5) EXPORT DUTIES	(90.0)	(161.4)
(6) OTHER INDIRECT TAXES	(90.0)	(30.1)
NON-TAX REVENUES	140.0	214.2
SUB TOTAL DOMESTIC REVENUES	\$6,750.0	\$8,192.7
(SEE NOTE 1)		

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TOTAL	\$8,480.0	\$10,120.0
(SEE NOTE 1)		

(B) ROUTINE EXPENDITURES:

SALARIES & PERSIONS	\$1,060.0	\$1,463.9
MATERIAL EXPENDITURES	750.0	831.3
SUBSIDIES FOR AUTONOMOUS REGIONS	740.0	1,662.7
DEBT SERVICE (FOREIGN AND		
DOMESTIC DEBT)	430.0	554.2
OTHER ROUTINE	380.0	385.5
MISCELLANEOUS ROUTINE EXPENDITURES	1,450.0	1,608.0
SUB-TOTAL	\$3,860.0	\$5,000.9
(SEE NOTE 1)		

(C) DEVELOPMENT BUDGET BY SECTOR:

AGRICULTURE & IRRIGATION	\$ 901.0	\$ 906.0
INDUSTRIAL AND MINING	403.0	354.0
ELECTRIC POWER	506.0	557.1

(INCL. GAS)

EDUCATION AND CULTURE	343.0	458.0
HEALTH, FAMILY PLANNING &		
SOCIAL WELFARE	121.0	140.0
PEOPLES' HOUSING & DRINKING WATER	68.0	98.0
LAW ENFORCEMENT	20.0	29.0
NATIONAL DEFENSE & SECURITY	102.0	135.0
INFORMATION & COMMUNICATIONS	115.0	19.0
COMMUNICATIONS & TOURISM	1,001.0	877.0
TRADE & COOPERATIVES	23.0	27.0
MANPOWER & TRANSMIGRATION	70.0	135.0
REGIONAL & RURAL DEVELOPMENT	459.0	547.0
RELIGION	15.0	19.0
SCIENCE & TECHNOLOGY		
RESEARCH & STATISTICS	67.0	84.0
STATE APPRATUS	119.0	145.0
EAST TIMOR	N/A	8.0

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GOVT. CAPITAL PARTICIPATING	294.0	400.0
SUBTOTAL DEVELOPMENT	\$4,627.0	\$4,936.0
(SEE NOTE 1)		
TOTAL	\$8,487.0	\$9,936.9

NOTE 1: DISCREPANCIES ARE PRESUMABLY RESULT OF CONVERSION
AND ROUNDING ERRORS.

NOTE 2 : DEVELOPMENT EARNINGS IS PHRASE USED IN PRESIDENT'S
SPEECH FOR FOREIGN ASSISTANCE.

3. ON JANUARY 6 PRESIDENT SUHARTO PRESENTED HIS \$10.12
BILLION BUDGET TO THE INDONESIAN PARLIAMENTS. A STRONG AND
RECURRING THEME THROUGHOUT SPEECH IS INDONESIA'S EARNESTNESS IN
STRIVING TOWARD A NEW INTERNATIONAL ECONOMIC ORDER (NIEO).
SUHARTO ASSERTS THAT WORLD ECONOMIC RECESSION AND INFLATION
HAD THEIR ORIGINS IN INDUSTRIALIZED COUNTRIES AND CALLS ON
INDUSTRIALIZED COUNTRIES TO IMPROVE MANAGEMENT OF THEIR
ECONOMICS. HE PROMISES TO WORK WITH OTHER MEMBERS OF THE
G-77 TOWARD ESTABLISHMENT OF A NIEO.

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-----101240Z 122616 /17

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4. SUHARTO ALSO PLEDGED SOLIDARITY WITHIN ASEN BLOC TO STRENGTHEN "ECONOMIC RESILIENCE IN THE REGION". HE HAILED ASEAN COOPERATION IN MOVES TO STABILIZE NATURAL RUBBER PRICES AS WELL AS IN INTERNATIONAL FORA.

5. SUHARTO TIED INDONESIA'S RENEGOTIATION OF ITS OIL CONTRACTS AND OPEC DECISION TO RAISE CRUDE OIL PRICES TO THE DRIVE TOWARD AND NIEO. SUHARTO ASSERTED THE OPEC DECISION "WAS INSPIRED BY ACCEPTABLE CALCULATION AND EVALUATION AND IT WAS ALSO COMPATIBLE WITH JUSTICE." HE ADDED THAT THE GOI'S POLICY OF OBTAINING A BIGGER SHARE OF THE YIELDS FROM OIL IS NOT RELATED TO ITS POLICY ON FOREIGN CAPITAL INVESTMENT, AND INDONESIA CONTINUES TO WELCOME INVESTMENT IN SECTORS IN WHICH IT IS NEEDED.

6. SUHARTO HAILED INDONESIA'S SUCCESSES IN 1976/77 CITING THE FACTS THAT INFLATION HAD BEEN HELD TO 14.2 PERCENT, THAT THE RUPIAH IS STILL STABLE AT US\$1.00EQUALS415 RP., THAT BALANCE OF PAYMENTS SITUATION IS IMPROVING, AND THAT UNCLASSIFIED

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FOREIGN EXCHANGE RESERVES ARE GROWING. HE PLEDGED NOT TO "DEVALUATE THE RUPIAH AS IS OFTEN 'RUMORED' IN SOCIETY." AS FOR FAILURES, SUHARTO LAMENTED THE FACT THAT FOOD PRODUCTION HAD NOT MET ITS TARGETS, AND THAT GROWTH OF DOMESTIC MARKETS HAD NOT KEPT PACE WITH GROWTH IN DOMESTIC PRODUCTION. HE PROMISED TO BATTLE AGAINST SMUGGLING AND TO PROTECT DOMESTIC INDUSTRIES AGAINST IMPORTS.

7. TURNING TO INDONESIA'S DEBT PROBLEMS, SUHARTO EXPLAINED THAT SERVICE ON FOREIGN AND DOMESTIC DEBT FOR 1977/78 WOULD

INCREASE MORE THAN 28 PERCENT TO RP. 230 BILLION (\$554.2 MILLION). HOWEVER, HE STATED THAT SERVICE ON FOREIGN DEBT, INCLUDING DEBT REIMBURSEMENTS OF BANK INDONESIA TO FOREIGN BANKS IN THE CONTEXT OF HELPING PERTAMINA, WOULD ONLY AMOUNT TO 11.8 PERCENT OF FOREIGN EXCHANGE EARNINGS FROM EXPORTS, AND "CLEARLY DO NOT IN THE LEAST CONSTITUTE A BURDEN BEYOND OUR CAPACITY*"

8. IN REVENUE PORTION OF THE BUDGET, TAXES ON OIL CORPORATIONS CONTINUE BY FAR TO BE GOI'S MOST IMPORTANT SOURCE OF REVENUE (45 PERCENT OF TOTAL REVENUES) WITH INDIRECT TAXES SECOND, AND FOREIGN ASSISTANCE, TALLING \$1,838.5 MILLION, THIRD. INTERESTINGLY, FOREIGN AID IS REFERRED TO IN THE PRESIDENT'S SPEECH AS "DEVELOPMENT EARNINGS."

9. THE ROUTINE PORTION OF BUDGET EXPENDITURES IS UP 30 PERCENT FROM LAST YEAR, A LARGE PORTION OF THIS INCREASE CAUSED BY 53 PERCENT INCREASE IN SALARY AND PENSION EXPENSES. EFFECTIVE APRIL 1, TAKE-HOME PAY OF THE LOWEST PAID CATEGORY OF CIVIL SERVANTS WILL INCREASE FROM RP.10,000 (\$24.10/MONTH) TO RP. 13,320 (\$32.10); HIGHEST PAID CIVIL SERVANTS WILL GO FROM RP.103,100 (\$248.43) TO RP.133,200 (\$320.96). PENSIONS ARE INCREASING EVEN MORE FROM RP. 4,000 TO RP. 13,600 FOR THE LOWEST, AND FROM RP. 30,850 TO RP. 99,900 FOR THE HIGHEST. THOSE WHO RETIRED BEFORE JANUARY 1, 1977, WILL ONLY BECOME ENTITLED

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TO FULL NEW RATE ON OR BEFORE APRIL 1, 1979, ALTHOUGH THEY WILL RECEIVE AN ADJUSTED RATE REFLECTING INCREASES IN THE MEANTIME.

10. THE DEVELOPMENT PORTION OF THE BUDGET IS UP ABOUT 13 PERCENT FROM LAST YEAR. DEVELOPMENT EXPENDITURES SHOW INCREASED PRIORITY ON TRANSMIGRATION PROGRAMS (THE BUDGET IS UP OVER 100 PERCENT), IRRIGATION (UP 34 PERCENT), REGIONAL AND RURAL DEVELOPMENT (UP 20 PERCENT), AND EDUCATION AND CULTURE (UP 40 PERCENT). NATIONAL DEFENSE AND SECURITY CONTINUES TO TAKE A RELATIVELY SMALL PART OF THE DEVELOPMENT BUDGET (APPROXIMATELY 3 PERCENT). IN CONTEXT OF SECURITY SUHARTO SAID "... ABOUT 2,500 DETAINEES OF CATEGORY B HAVE RETURNED TO SOCIETY. THE RELEASE OF THOSE STILL DETAINED WILL BE EFFECTED NEXT YEAR ..." IT IS NOT CLEAR FROM CONTEXT IF THIS REFERRED TO THE NEXT FISCAL YEAR 1978/79 OR JUST TO 1978.

11. COMMENTING ON PROBLEM OF CORRUPTION THE PRESIDENT SAID, "... WE MUST NOT CLOSE OUR EYES TO THE EXISTENCE OF CORRUPTION, SQUANDERINGS WITH STATE MONEY, ABUSE OF AUTHORITY AND OTHER NEGATIVE ACTS... (BUT) WE SHOULD NOT ALLOW OUR-

SELVES TO BE TAKEN IN BY CYNICAL VOICES BEYOND ANY
DECENCY DELIBERATELY LAUNCHED IN THE COMMUNITY TO
GROSSLY EXAGGERATE THE NEGATIVE ASPECTS. THE GOVERNMENT
DEFINITELY WILL NOT TOLERATE SUCH PEJORATIVE DEEDS."

12. A MORE DETAILED ANALYSIS OF BUDGET WILL HAVE TO AWAIT
A CHANCE TO STUDY SUBSECTOR BREAKDOWNS, BUT ON THE WHOLE
IT SEEMS A REALISTIC DOCUMENT. THE SHARP RISE IN THE
ROUTINE BUDGET WAS ALMOST INEVITABLE SINCE IT HAS GROWN
EXCEEDINGLY SLOWLY OVER PAST FEW YEARS. INCREASE IN SALA-
RIES AND PENSIONS IS NEEDED AND HOPEFULLY WILL HAVE A
SALUTORY EFFECT ON THE CIVIL SERVICE AS WELL AS PROVIDING
FOR FUTURE OF LARGE NUMBER OF HIGH RANKING OFFICIALS DUE
TO RETIRE OVER COURSE OF THE NEXT FEW YEARS.
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13. TEXT OF BUDGET SPEECH WILL BE POUCHED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, ECONOMIC CONDITIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART00420
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770008-1006
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770167/aaaacgqo.tel
Line Count: 301
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 06f8b6db-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3634308
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT SUHARTO PRESENTS 1977/78 DRAFT BUDGET
TAGS: EFIN, ID
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/06f8b6db-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
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